

VZCZCXYZ0012
RR RUEHWEB

DE RUEHME #5157/01 2551551
ZNR UUUUU ZZH
R 121551Z SEP 06
FM AMEMBASSY MEXICO
TO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOC/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 03 MEXICO 005157

SIPDIS

SIPDIS

STATE FOR WHA/MEX, WHA/EPSC, EB/IFD, AND EB/EPPD
STATE PASS USAID FOR LAC: MARK CARRATO
TREASURY FOR IA MEXICO DESK: JASPER HOEK
COMMERCE FOR ITA/MAC/NAFTA: ANDREW RUDMAN

E.O. 12958: N/A

TAGS: ECIN ECON EINV MX
SUBJECT: MIGRANT ASSOCATIONS SPUR DEVELOPMENT IN MICHOACAN

REF: A. MEXICO 2042

- 1B. MEXICO 2097
- 1C. MEXICO 2123
- 1D. MEXICO 2154

MEXICO 00005157 001.3 OF 003

Sensitive but unclassified, entire text.

INTRODUCTION AND SUMMARY

11. (SBU) Last April Embassy Mexico produced a series of cables (ref. A-D) detailing how the chain of migration and remittances from the U.S. affected life in rural Mexico. At the invitation of our Michoacano contacts, econoff returned to the town of Venustiano Carranza to meet migrants temporarily back from the U.S. to hear how they, through their U.S.-based Hometown Associations (HTAs), interact with the town. HTAs, or migrant associations which seek to raise funds and invest in their communities of origin, have been growing in size and influence throughout rural Mexico (ref. C). They are playing an increasingly important role in rural development. Many of these organizations maintain extremely close relationships with local governments and are involved in most important community decisions. Since 2002, Mexico's "Three-for-One" program has attempted to harness this investment wave by providing foreign-based migrants an opportunity to receive matching funds from federal and state governments. Participation by HTAs and local governments in Three-for-One has grown dramatically since its inception, and reaction to the program is generally positive. However, many migrants still distrust the program, encouraging a simultaneous increase in direct HTA-community donations. End Introduction and Summary.

THREE-FOR-ONE

12. (SBU) Remittances account for more than 15 percent of the State of Michoacan's total GDP; while an increasing percentage of financial transfers from the U.S. to Mexico has been in the form of organized contributions by HTAs. Javier Urbano, social scientist at Ibero-American University in Mexico City, estimated that the relative size of formal project giving (as opposed to informal remittances sent from one family member to another) has grown from 2 percent in 2002 to as much as 4 percent in 2006. In Michoacan, the

number of Three-for-One projects has grown from 65 in 2002 to 148 in 2005, according to Eneida Martinez, Coordinator of Foreign Services for Michoacan. State and federal officials suggested that Three-for-One and other similar programs have been a great success pointing to the increase in total investment and number of projects. However, while most migrants tend to view the program as a positive, doubts exist about its transparency and effectiveness.

HTA INFLUENCE

¶3. (SBU) The leading Hometown Association for the city of Venustiano Carranza, a farming community of approximately 50,000 residents in northern Michoacan, is one of the best organized and established in the state of California. Based in Hawaiian Gardens, California, the HTA, known as "Club Tarrasco", boasts of 487 members (compared to 215 in 1996) and maintains almost daily communication with the local government. Demographically, the club is diverse; while many of its affiliates have recently left Mexico, a significant number of members, particularly its leaders, have been in the U.S. for twenty years or more. Club Tarrasco participates in local policymaking. The Venustiano Carranza city council holds a weekly conference call with HTA representatives to discuss council business, and the Club donated over 87,000 dollars for projects, a total nearly two-thirds of the town's municipal budget. In May 2006, for example, Club Terrasco submitted four Three-for-One projects to the state Office for the Attention of Migrants in Morelia for approval; two road improvement initiatives, a water canal extension, and construction of a soccer field. The late-June festival for the city's patron saint provided local officials and the HTAs an opportunity to discuss investment projects and other related business. During this event, Club Tarrasco leaders and representatives shared their views with Econoff regarding the effectiveness of Three-for-One and other investment programs.

MEXICO 00005157 002.3 OF 003

¶4. (SBU) The immigration debate in the U.S. has convinced many HTA leaders to focus increased attention on projects which improve local Mexican infrastructure and provide jobs. One Club Tarrasco officer from Hawaiian Gardens believed a more secure future border will greatly increase the risk involved with illegal immigration, leading many U.S. based migrants to believe that the opportunity to enter the U.S. illegally will not be as "available" to future generations. In the past, HTA projects and donations have been primarily focused on beautification projects; as an example, Club Terrasco restored a chapel in 2003. However, the last four Three-for-One proposals submitted by the HTA have focused on sustained development, and according to a Vice-President of the Federation of Michoacan Clubs of Chicago, the recent trend for many HTAs has been to prioritize productive enterprises which may spur substantial economic growth and investment. There may also be a growing realization that the long-term hometown prosperity must rely more on local development rather than continued migration.

LESS CONFIDENCE IN STATE, FEDERAL GOVERNMENTS

¶5. (SBU) While most HTA members said that they had full confidence in the city council and municipal president, several members pointed out as an example the municipal elections of 2002, where a dispute about a mayoral election was eventually resolved with the "assistance" of HTA members, most likely by their exercising a "veto" over any proposed government. Furthermore, many members of Club Tarrasco said their hometown association had helped to ensure greater local and state governmental accountability in Venustiano Carranza and Michoacan. Anecdotal evidence seemed to suggest that

this "fifth column" is generally welcomed by the population, providing checks and balances absent in rural Mexican politics. As the size and financial strength of Club Tarrasco has grown, so has its relationship with local power centers. However, given the fact that most Club Tarrasco leaders have been in the U.S. for twenty years or more, it does not appear that the HTA is empowering or mobilizing previously disadvantaged members of the community.

¶6. (SBU) Migrant representatives also conveyed a level of dissatisfaction with the Office for Migrant Attention for the state of Michoacan, currently tasked with processing Three-for-One program applications. Another of the Club Tarrasco council members, admitted state and local interests oftentimes may not be aligned. In addition, many HTA members expressed the concern that politics at the state government level may affect the efficiency and speed of processing of applications. Some of the participants said that they suspected that local officials expected a quid pro quo in some cases, and that the traditional corruption of past regimes may not have completely disappeared.

DIRECT DONATIONS RISING

¶7. (SBU) Due to occasionally long processing times, Club Tarrasco often bypasses the Three-for-One program, donating directly to the municipal government of Venustiano Carranza to fund urgent programs. For example, in 2005 Club Tarrasco donated 26,500 dollars for various projects, including a new ambulance, expansion of the local hospital's emergency ward, and urgent road reconstruction following severe flooding. While the overall number of projects supported by Club Tarrasco, including Three-for-One projects, is increasing (from 8 in 2004 to 13 in 2005), the rate of increase of directly funded projects is higher than the rate of increase of the total number of programs (increasing from 1 in 2004 to 5 in 2005). This also may reflect a growing distrust of the federal and state administration of the Three-for-One program, and is probably not limited to Venustiano Carranza and Club Tarrasco.

COMMENT

¶8. (SBU) HTA influence in local government in rural Mexico is already very strong and continues to grow. Beginning in 2002, the Fox administration through the Three-for-One program attempted to encourage greater social and economic inclusion of Mexican migrants in the U.S., with mixed

MEXICO 00005157 003.3 OF 003

results. On one hand, Three-for-One has resulted in numerous development projects in traditionally underserved areas. However, Three-for-One also may be used as a new tool for leveraging other forms of influence by state and federal officials. In ever greater numbers, HTAs are directly contributing to their communities of origin, providing much needed support for basic infrastructure, thereby bypassing several layers of bureaucracy. With or without federal or state involvement, however, hometown associations such as Club Tarrasco will likely play an increasingly important role in stimulating long-term rural economic development. Their connection to Mexico shows no sign of diminishing.

Visit Mexico City's Classified Web Site at
<http://www.state.sgov.gov/p/wha/mexicocity>

GARZA